

PROCEDURAL HISTORY

On September 30, 1997, the Commission issued a Notice of Investigation initiating this adjudicatory proceeding to determine CMP's stranded costs, T&D revenue requirements, T&D rate design and stranded costs rate design, designated as *Central Maine Power Company, Investigation of Stranded Costs, Transmission and Distribution Utility Revenue Requirements and Rate Design*, Docket No. 97-580. A prehearing conference was held on October 17, 1997 at which it was agreed: (1) CMP would file its direct case in two parts; (2) ratemaking regarding the value of the generation asset sale would be included in Docket No. 97-580; and (3) the market value of the generation assets would be based on successful bid prices. Petitions to intervene were granted on behalf of:

Independent Energy Producers of Maine
 Maine Energy Recovery Company
 S.D. Warren
 Bangor Hydro-Electric Company
 Regional Waste Systems, Inc.
 Conservation Law Foundation
 Industrial Energy Consumer Group
 Alliance to Benefit Consumers
 Helen Patterson
 Miller Hydro Group
 American Skiing Company
 Department of Economic and Community Development
 Office of the Public Advocate
 Enron Corporation
 Great Northern Paper Company, Inc.

The Hearing Examiners issued a Scheduling Order on November 25, 1997, that established initial filing deadlines for CMP and intervenors in the proceeding.

Prefiled, Direct Testimony. On December 10, 1997, CMP filed its Direct Testimony and Exhibits regarding the Company's revenue requirement, including the detailed information required under the provisions of Chapter 120, the Company's calculation of stranded costs, and performance based regulation following termination of the ARP. In a Procedural Order issued January 29, 1998, the Examiners removed performance-based regulation from the scope of the proceeding stating that "[t]he issues of whether and how incentive regulatory mechanisms should be continued after the current ARP expires are beyond the scope of this proceeding."

On February 10, 1998, CMP filed its Direct Testimony and Exhibits regarding rate design, including its marginal cost study. In addition, the Company submitted Supplemental Prefiled Testimony and Exhibits updating its revenue requirement,

attrition and Chapter 120 information, and addressing implications of the sale of generation assets on stranded costs. Based on earlier discussions with the Advisory Staff, the Company also filed the Electric Cost of Service Study (an embedded cost study) on March 16. This filing was made for informational purposes only; the Company did not rely on the study in preparing its rate design proposals.

On March 23, 1998, the Examiners issued a Request for Comments on CMP's rate design filing in general and, in particular, the policy and legal issues raised by the Company's proposed standby rate. On April 3, 1998, in response to a request from the Public Advocate, the Examiners suspended the rate design portion of the case, pending Commission action resulting from the March 23rd Request for Comments regarding rate design. On April 8, 1998, certain intervenors filed a Joint Motion³⁸ to dismiss certain portions of Docket No. 98-221³⁹ and consolidate the issue of the allocation of the available value from the asset sale with similar issues in Docket No. 97-580. In addition, these intervenors requested that the Commission not bifurcate rate design from the other issues in the case.

On April 17, the Examiners concluded that, based on the comments received, "[t]he public interest would be best served by not limiting the parties' presentation of rate design issues at this time and not making a preliminary ruling on CMP's proposed standby rate." On April 22, 1998, in a Procedural Order filed jointly in Docket No. 97-580 and Docket No. 98-221, the Examiners ruled that the ARP proceeding should continue on a separate schedule, but severed issues related to the application of value from the asset sale from Docket No. 98-221 and consolidated them with related issues in Docket No. 97-580.⁴⁰

Technical Conferences were held in the proceeding on March 30 and 31 and April 1, addressing issues and questions raised in the direct testimony filed by CMP on December 5 and February 10.

On May 1, 1998, intervenors filed Direct Testimony and Exhibits addressing revenue requirements and stranded costs. The intervenors filing Direct Testimony on

³⁸The Public Advocate, the Industrial Energy Consumer Group, the Independent Energy Producers of Maine, the Coalition for Sensible Energy, the Conservation Law Foundation, the Alliance to Benefit Consumers and the American Association of Retired Persons filed the Joint Motion.

³⁹Pursuant to the Stipulation dated October 14, 1994 (Docket No. 92-345), CMP submitted its annual compliance filing and request for increase to core rate caps on March 25, 1998. The case was designated as Docket No. 98-221, Annual Price Change Pursuant to the Alternative Rate Plan.

⁴⁰Specifically, the "Extraordinary Items" Section of Volume I and Attachments 26 through 32 of the Annual ARP filing (Docket No. 98-221) were incorporated in the February 10, 1998 supplemental testimony of Witnesses Marsh and Call in Docket No. 97-580.

May 1 were: the Public Advocate (OPA), the Industrial Energy Consumer Group (IECG), and Regional Waste Systems (RWS). Intervenors filed Direct Testimony and Exhibits regarding rate design, including standby rates, on May 8. Intervenors filing Direct Testimony on rate design and standby rates were: the Public Advocate, the Industrial Energy Consumer Group, Regional Waste Systems, and filing jointly the Independent Energy Producers of Maine (IEPM), S.D. Warren (SDW) and FPL Energy Maine (FPL-Me). On May 20, 1998, CMP filed a Motion to Strike those portions of the May 1 and May 8 testimony of the IECG dealing with metering, billing and collection services, and the unbundling of rates for those services. The Examiners granted CMP's Motion to Strike on June 1, 1998. Technical Conferences were held on June 9 and 10 addressing issues raised in the direct testimony filed by intervenors on May 1 and May 8.

Prefiled Rebuttal Testimony. On June 26, CMP, the OPA, the IECG, and EIPM, S.D. Warren and FPL Energy Maine filed Rebuttal Testimony and Exhibits.⁴¹ Also on June 26, the Examiners issued a 3-volume Bench Analysis containing "independent financial and technical analyses prepared by members of the advisory staff and its consultants."

Volume I of the Bench Analysis addressed CMP's cost separation study, base period revenue adjustments, cost of capital, attrition analysis, the Company's sales forecast, and the "revenue delta." Volume II analyzed the quantification of value from CMP's asset sale, the treatment of available value from the divestiture, the valuation of the Hydro-Quebec tie-line, CMP's nuclear assets and obligations, and the treatment of the qualifying facilities contracts. Volume III of the Bench Analysis reviewed CMP's cost studies, class revenue allocations, rate design and standby rates.

The Examiners filed corrections to the Bench Analysis on June 30 (correcting cost of capital and related revenue requirement calculations), August 12 (correcting revenue requirement calculations), and August 28 (correcting sales and load forecast calculations).

Technical Conferences were held on July 16 and 17 for review and questions regarding the Bench Analysis. A Technical Conference on CMP's Rebuttal Testimony was held on July 29.

Prefiled Surrebuttal Testimony. On August 31, 1998, CMP, the OPA, the IECG, RWS, and IEPM, S.D. Warren and FPL-Me filed their Surrebuttal Testimony and Response to the Bench Analysis.⁴² In response to requests from Commission advisory staff, CMP included with its Surrebuttal Testimony extensive evidence regarding the special rate discounts given under the ARP and the justification for continuing such

⁴¹The IEPM, S.D. Warren and FPL-Me jointly filed their Rebuttal Testimony. Only one witness for the Public Advocate, Steven Andersen, filed Rebuttal Testimony.

⁴²The IEPM, S.D. Warren and FPL-Me jointly filed their Surrebuttal Testimony.

discounts during the rate effective period. On September 16, 1998, the Examiners determined that “there is not sufficient time to adequately litigate the issue of whether the Company’s discounts were prudent” and therefore “special rate discount prudence issues will not be addressed in this phase of the proceedings.” The Examiners also ordered, however, that “[t]he issue of what methodology the Commission should use in determining the revenue requirement impact of the special rate discounts which have been or will be given under the ARP and which will be in effect during the rate effective period will continue to be part of this phase of the case.”

CMP sought clarification of this ruling in a letter filed September 18, 1998. At a Conference of Counsel held on September 21, the Hearing Examiner clarified that:

- (1) the Commission would not conduct individual prudence reviews in this proceeding for each of the discounts granted by CMP under the ARP and anticipated as necessary in the rate effective period
- (2) the issue of the methodology to use in determining the revenue requirement impact of the discounts would continue to be an issue in this proceeding,
- (3) whether a methodology should be adopted without conducting a prudence review was a valid issue in this proceeding, and
- 4) all evidence provided by CMP regarding the discounts would be preserved as part of the record in this case.

During a Case Management Conference held on September 28, 1998, counsel for the IECG requested the addition of CMP employee Stephen Doak as a witness for cross-examination concerning CMP’s discussions with large industrial customers regarding their intentions to stay on the system. On September 29, the IECG filed a letter formally amending its Case Management Memorandum and seeking to add Mr. Doak as a witness. CMP filed a letter on that same day protesting IECG’s request. On October 2, 1998, the Examiner issued a Prehearing Order denying IECG’s request to add Mr. Doak as a witness on the grounds that the IECG was seeking to introduce evidence that needed to be placed at issue at an earlier stage in the case.

On October 2, 1998, the Examiner filed a new regression analysis of CMP’s cost separation study. The analysis was prepared by Exeter Associates, consultants to the Advisory Staff. CMP filed a Motion in Limine on October 5 to bar the admission of the Exeter regression analysis into evidence. On October 6, the Hearing Examiner ruled from the Bench to admit the Exeter study as evidence in the proceeding, but granted CMP the opportunity for discovery, hearings and rebuttal.⁴³

⁴³This ruling was confirmed in a Memorandum of Decision issued by the Hearing Examiner on November 6, 1998, as amended November 9, 1998.

No technical conferences were held on the Surrebuttal Testimony filed by CMP and the intervenors.

Hearings. Hearings were held from October 6-9 and October 13-15, 1998, for the purpose of cross-examining witnesses who prefiled testimony in this case, including the Commission's advisory staff and consultants who prepared the Bench Analysis. An extra day of hearings was held on October 29 to permit cross-examination of witnesses regarding the late-filed regression analysis prepared by Exeter Associates on behalf of the Advisory Staff.

A substantial body of evidence was admitted into the record:

- 85 volumes of prefiled testimony and the three volumes of the Bench Analysis;
- 370 exhibits containing significant numbers of the approximately 2,900 data responses that were submitted;
- transcripts from 8 days of technical conferences and;
- the examination during 8 days of hearings.

Briefs and Reply Briefs.

CMP, the IECG, RWS, FPL-Me, Helen Patterson, and IEPM, joined by S.D. Warren and FPL-Me, filed briefs on November 9, 1998. Reply briefs were filed by CMP, the OPA, the IECG and RWS. IEPM, FPL-Me and S.D. Warren filed a joint Reply Brief.

The Examiner's Report was filed on December 23, 1998. Before exceptions were due, 25 petitions to intervene were filed on behalf of entities that wished to except to the Examiner's recommendation concerning standby rates. The Examiner had recommended substantially the adoption of CMP's proposed standby rate. The 25 late-filed petitioners were:

Associated Constructors of Maine
Bethel Furniture Stock
C.B. Cummings and Sons
Dayton Sand and Gravel
Hammond Lumber Company
Isaacson Lumber
J. Paul Levesque and Sons
Katahdin Forest Products
Lafayette Hotels
Maine Aggregate Association

Maine Forest Products Council
Maine Grocer's Association
Maine Potato Board
Maine Pulp and Paper Association
Maine Woods Company
Penley Corporation
Camden Snow Bowl
Pike Industries
P.H. Chadbourne & Company
Moosehead Manufacturing
TexTech Industries
Saddleback Ski Area
Shaw's Supermarkets
Stratton Lumber Company

The Examiner granted the petitions of all 25 petitioners for purposes of filing exceptions. Since the interests of these late filed intervenors on the standby rate issue, was identical to those stated by IECG, the presentations of these intervenors were consolidated with the IECG's.

Local 1837 of the International Brotherhood of Electrical Workers (IBEW) also petitioned to intervene after the Examiners Report was issued, seeking to be heard on employee transition costs. The Examiner granted IBEW's petition.

Exceptions were filed by CMP, the OPA, the IEPM, RWS, IECG, Helen Patterson, IBEW and FPL/S.D. Warren.